

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 OES-03 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

ACDA-05 MC-02 CIAE-00 INR-07 NSAE-00 L-02 NASA-01

FTC-01 (ISO) W

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R 201726Z MAY 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0228

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY PARIS

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USMISSION EC BRUSSELS

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AMCONSUL MUNICH

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E.O. 11652: N/A

TAGS: BEXP, FR, GW

SUBJECT: FRG ECON MIN REACTION TO CII AND HONEYWELL-
BULL MERGER

REF: PARIS 12093

1. FRG ECON MIN OFFICIAL RESPONSIBLE FOR COMPUTER
AND ELECTRONICS INDUSTRIES, KAHL, COMMENTING ON CII-
HONEYWELL MERGER TO EMBOFF TENDED TO DOWNPLAY IMPACT
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OF FRENCH MOVE ON GERMAN COMPUTER INDUSTRY. HE

ADMITTED THAT NEITHER FRG GOVERNMENT NOR SIEMENS WAS HAPPY ABOUT ABRUPT FRENCH PULLOUT FROM UNIDATA, BUT THAT THEY HAD BEEN AWARE FOR SOME MONTHS THAT CII WAS SEEKING AMERICAN PARTICIPATION, AND THAT THE DECISION CAME AS NO SURPRISE. KAHL OBSERVED THAT ALTHOUGH SIEMENS WAS HIGHLY ANNOYED AT THE CII ACTION, THE GERMAN COMPUTER FIRM WOULD NOT BE PARTICULARLY ADVERSELY AFFECTED. HE FELT THAT SIEMENS AND PHILIPS WOULD CONTINUE THE JOINT DEVELOPMENT AND PRODUCTION PROJECTS WHICH HAD BEEN UNDERWAY IN UNIDATA.

2. IN REGARD TO FURTHER CII INVOLVEMENT IN UNIDATA, KAHL STATED THAT SIEMENS HAD RECEIVED ASSURANCES FROM THE FRENCH GOVERNMENT THAT ALL JOINT UNIDATA UNDERTAKINGS WOULD BE CARRIED ON UNTIL ALL CONTRACTUAL OBLIGATIONS HAD BEEN FULFILLED. DESPITE THESE ASSURANCES, SIEMENS WAS, IN KAHL'S OPINION, HAVING DIFFICULTY FINDING RESPONSIBLE INDIVIDUALS IN THE CII MANAGEMENT WITH WHOM TO DISCUSS THE RECENT DEVELOPMENTS AND TO COORDINATE CONTINUING PROJECTS. THIS WAS APPARENTLY A CONSEQUENCE OF THE SUDDEN RESIGNATION OF CII PRESIDENT MICHEL BARRE, THE REASSIGNMENT OF SEVERAL OF CII'S TOP MANAGEMENT PERSONNEL, AND THE NATURAL UNCERTAINTY AND CONFUSION WITHIN CII FOLLOWING THE MERGER.

3. SIEMENS DOES NOT EXPECT THAT ITS CURRENT APPROXIMATELY TEN PER CENT OF THE EUROPEAN COMPUTER MARKET WILL DECLINE APPRECIABLY IN THE FACE OF THE MERGER. KAHL COMMENTED THAT ALMOST ALL OF UNIDATA'S MARKETABLE PRODUCTS HAD BEEN DEVELOPED BY SIEMENS AND WERE BEING MANUFACTURED IN SIEMENS MUNICH AND AUGSBURG PLANTS. SIEMENS' SHARE OF THE MARKET, AT LEAST FOR THE NEAR TERM, WOULD THEREFORE NOT DECLINE BELOW EIGHT PER CENT. KAHL FELT IT WAS TOO EARLY TO SPECULATE ON WHAT ACTION SIEMENS MIGHT TAKE SHOULD ITS MARKET SHARE DWINDLE IN THE LONGER TERM. ALTHOUGH PREMATURE, IT WAS NOT OUT OF THE QUESTION THAT SIEMENS MIGHT SEEK, PERHAPS IN ASSOCIA-

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TION WITH PHILIPS, ANOTHER AMERICAN COMPUTER FIRM WITH WHICH TO FORM A LINK.

4. KAHL THOUGHT THAT CII'S DECISION TO MERGE WITH AN AMERICAN FIRM WAS, DESPITE FRENCH CLAIMS THAT THIS REPRESENTED A "RECAPTURE OF SOVEREIGNTY" IN THE COMPUTER FIELD, WAS LITTLE MORE THAN A RECOGNITION THAT THE FRENCH GOVERNMENT HAD RUN OUT OF

PATIENCE WITH UNIDATA, AND HAD PRAGMATICALLY
DECIDED THAT THE MERGER REPRESENTED THE ONLY WAY TO
BRING AN END TO THE BURDENSOME SUBSIDIES IT HAD
BEEN PAYING WITHOUT WORSENING THE UNEMPLOYMENT
SITUATION. HE FELT ALSO THAT CII WAS NOT NECESSARILY
BETTER OFF NOW THAN IT HAD BEEN IN UNIDATA SINCE
IT WOULD STILL FACE THE PROBLEMS WHICH PLAGUED IT
AS A PARTNER OF SIEMENS AND PHILIPS. THESE PROBLEMS,
EXPLAINED KAHL, WERE INEFFICIENT RESEARCH AND
PRODUCTION FACILITIES, NATIONAL PRIDE AND THE
DIFFICULTIES OF AMALGAMATING A MULTI-NATIONAL
MANAGEMENT. THE PROBLEM OF PROFITABILITY WAS ALSO,
IN KAHL'S VIEW, IN NO WAY RESOLVED BY THE MERGER,

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ALTHOUGH THE ACCESS TO THE AMERICAN MARKET
REPRESENTED BY HONEYWELL COULD EVENTUALLY BRING
THE NEW FIRM OUT OF THE RED.

5. KALH'S VIEWS ARE SOMEWHAT MORE CRITICAL OF THE
WHOLE SCHEME THAN WERE OFFICIAL FRG AND SIEMENS
PRONOUNCEMENTS. THE OFFICIAL BONN ANNOUNCEMENT MADE
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SCIENCE NOTED THE MERGER WITH INTEREST AND WELCOMED
THE FRENCH GOVERNMENT'S STATED INTENTION OF SEEING
THAT UNIDATA'S OBLIGATIONS TO ITS TWO NON-FRENCH
PARTNERS WOULD BE CARRIED OUT. SIEMENS NOTED
LACONICALLY THAT THE UNIDATA LINE WOULD CONTINUE TO
COMPETE WITH HONEYWELL, AND THAT SIEMENS AND PHILIPS
COOPERATION WITHIN UNIDATA WOULD NOT BE AFFECTED BY
THE FRENCH MOVE. LEADING GERMAN PRESS COMMENTARY ON
THE MERGER WAS GENERALLY NEGATIVE IN CONTRAST TO
FRENCH VIEWS THAT IT REPRESENTED AN INCREASE IN
EUROPEAN INFLUENCE IN THE COMPUTER INDUSTRY. THE
FRANKFURTER ALLGEMEINE FELT THAT THE MERGER WOULD
LEAD TO NO SOLUTION FOR THE FRENCH COMPUTER INDUSTRY,
THAT THE NEW FIRM HAD TOO MANY PERSONNEL, TOO MUCH
GOVERNMENT INVOLVEMENT, TOO MANY AND TOO DIVERSE
PROGRAMS, AND WOULD FIND IT IMPOSSIBLE TO BLEND
FRENCH AND AMERICAN MANAGEMENT TECHNIQUES. IT
CONCLUDED DRYLY THAT THE FRENCH COMPUTER INDUSTRY
WOULD GO THE WAY OF OTHER NATIONAL PRESTIGE PROJECTS
SUCH AS THE CONCORDE AND THE FRENCH COLOR
TELEVISION SYSTEM. LIKE THESE PROJECTS IT WOULD
EXIST AT GREAT COST TO THE TAXPAYER UNTIL IT FINALLY
WAS SWALLOWED UP OR ALLOWED TO DIE.
HILLENBRAND

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